

CALIFORNIA STATE BOARD OF EQUALIZATION

COURSES AND WORKSHOPS FOR

PROPERTY TAX APPRAISERS

Introductory Comments

The California State Board of Equalization (BOE) is responsible for the certification of county assessors' personnel and BOE personnel who perform appraisals for property tax purposes. Section 671 of the California Revenue and Taxation Code, and Property Tax Rule 284, require that, in order to retain a valid appraiser's certificate, each certificate holder complete at least 24 hours of BOE-approved training each year. Holders of an advanced appraiser's certificate must complete at least 12 hours of training each year. Hours from up to three previous years (two previous years for holders of advanced appraiser's certificates) may be used to satisfy the annual training requirement. The training must be conducted or approved by the BOE. Additional information on requirements is contained in the *Guidelines for Appraiser's Certification and Training*, which is available on our website, at <http://www.boe.ca.gov/proptaxes/pdf/lta03068.pdf>.

The BOE offers several courses designed to meet the training needs of appraisers to obtain an understanding of the basic principles of property appraisal and assessment. In addition, advanced courses pertaining to the valuation of specific property types are available for more experienced appraisers to further develop an appraiser's knowledge of more advanced appraisal issues and techniques.

Following this introduction are descriptions of BOE-provided courses and workshops. The BOE does not offer all the listed courses and workshops each year; we offer courses based both on requests from county assessors and on the availability of instructors.

The Training and Certification Section of the County-Assessed Properties Division is committed to providing competent and meaningful training to all certified appraisers and auditor-appraisers. We welcome any suggestions or comments.

Training Credit for BOE Courses

The Training and Certification Section of the BOE's Property and Special Taxes Department will grant credit for the total hours to an appraiser who successfully completes a BOE course or workshop. A passing score on a final examination or a graded project is evidence of successful completion of a course. A student who does not take the final examination or fails with a grade of 50% or less will not receive any training hours. If the student fails the final examination but receives a score of 50% or higher, the student will receive credit for the instructional time, but not for the examination time. If a student fails a course, the student may re-take the examination without having to re-take the entire course.

Advanced Appraiser Certification

Appraisers who have held permanent certification for at least three years are eligible for advanced certification if they meet one of the following requirements:

1. Successfully complete a BOE-prescribed course of study that consists of at least six appraisal courses, or the equivalent, with at least two of those courses being recognized as "advanced." Courses eligible to be used toward advanced certification must have been completed with a passing grade.
2. Pass an advanced level examination prepared by the BOE.
3. Hold a BOE-approved professional designation, such as MAI, ASA, CAE, or CPE, from a recognized professional organization.

Acceptance of Students in BOE Courses

The BOE may decline to enroll appraisers in courses that are inappropriate for their level of experience. An appraiser must meet the prerequisites for each course. Experienced appraisers requesting basic courses must provide a valid reason for attending the course. Appraisers may repeat a course for credit only after five years, and if a need for the training can be shown.

Calculators used in BOE Courses

When calculators are specified as requirements for courses, only the usage of Hewlett Packard 12c, 17b, or 19b will be discussed in the courses. Students may use other models and brands as long as they already know how to use the calculator. The calculators must be able to perform the following standard financial functions:

- Future Worth of 1,
- Future Worth of 1 Per Period,
- Sinking Fund Factor,
- Present Worth of 1,
- Present Worth of 1 Per Period, and
- Periodic Repayment.

For Course 120, the calculator must be able to perform the standard financial functions as well as have the capability to calculate net present value (NPV) and internal rate of return (IRR).

Appraisal Courses

<u>No.</u>	<u>Title</u>	<u>Total Hours</u>	<u>Page</u>
I	<i>Introduction to Appraising for Property Tax Purposes</i>	30 hours	5
2A	<i>Replacement Cost Estimating of Residential Structures</i>	24 hours	5
2B	<i>Replacement Cost Estimating of Commercial and Industrial Structures</i>	30 hours	6
3	<i>Residential Appraisal Procedures</i>	24 hours	6
5	<i>Income Approach to Value</i>	31 hours	7
7	<i>Appraisal of Agricultural Property</i>	31 hours	7
8	<i>Appraisal of Machinery and Equipment</i>	31 hours	8
9	<i>Appraisal of Taxable Possessory Interests</i>	31 hours	8
9A	<i>Special Topics in Taxable Possessory Interests</i>	24 hours	9
18	<i>Auditing Procedures</i>	30 hours	9
28	<i>Advanced Auditing</i>	24 hours	10
52	<i>Valuation of Restricted (Open-Space) Lands</i>	24 hours	11
56	<i>Advanced Sales Comparison and Income Capitalization Approaches</i>	31 hours	12
120	<i>Investment Mathematics and Financial Calculators</i>	31 hours	13

Workshops

	<u>Title</u>	<u>Total Hours</u>	<u>Page</u>
5A	<i>Income Approach to Value Refresher</i>	12 hours	14
AAB	<i>Training for New Assessment Appeal Board Members</i>		14
CIO	<i>Change in Ownership</i>	12 hours	14
MH	<i>Appraisal of Manufactured Homes</i>	12 hours	15
MP	<i>Appraisal of Mineral Properties</i>	12 hours	15

Course Descriptions

COURSE I ----- Introduction to Appraising for Property Tax Purposes

This course introduces new real property appraisers and auditor-appraisers to the fundamentals of appraising for property tax purposes. The various appraisal approaches and significant appraisal principles for all types of property are presented. The course covers the economic aspects and legal definitions of market value and California property tax laws.

This course is usually taken within one year of receiving temporary certification. It could be preceded by instruction in cost estimating procedures and/or sales comparison techniques (Course 2A and 3).

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*.

Course Credit: 28 hours of instruction 2-hour examination **30 hours total**

COURSE 2A ----- Replacement Cost Estimating of Residential Structures

Course 2A is designed to acquaint beginning real property appraisers and auditor-appraisers with recommended methods and procedures to use when making replacement cost estimates of single and multiple-family residences.

This course begins with a review of the cost concept and then provides instruction in the use of the Standard Classification System for residential buildings. Through case studies, the students will learn to select and apply unit costs from the Assessors' Handbook Section 531, *Residential Building Costs*.

The course covers techniques for recognizing and estimating depreciation.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 531, *Residential Building Costs*.

Course Credit: 21 hours of instruction 3-hour examination **24 hours total**

COURSE 2B ----- Replacement Cost Estimating of Commercial and Industrial Structures

Course 2B is designed to acquaint real property appraisers on the use of Marshall & Swift's *Marshall Valuation Service* to properly estimate the cost of commercial and industrial properties. The course begins with a discussion of the cost concept, different types of depreciation, various types of building materials, and classes of construction. The students will estimate the replacement cost of different types of buildings, including estimating depreciation.

Prerequisites: None

Pre-reading: None

Course Credit: 28 hours of instruction 2-hour examination **30 hours total**

COURSE 3 ----- Residential Appraisal Procedures

Course 3 provides instruction in appraisal procedures with an emphasis on the comparative sales approach. This course focuses on the appraisal of single-family residential property. It includes some exposure to market analysis procedures for income-producing residential properties. Students learn to analyze and adjust sales to reflect market value and conditions, including cash equivalent procedures. They will study methods of estimating land value and learn to make sales comparisons with properties selected for reappraisal.

Students practice these techniques and reconcile the indicators of value into value conclusions as they solve drill problems.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*; and Assessors' Handbook Section 503, *Cash Equivalent Analysis*.

Course Credit: 21 hours of instruction 3-hour examination **24 hours total**

COURSE 5 ----- Income Approach to Value

Course 5 is designed to meet the needs of the real property appraiser or auditor-appraiser with little or no experience in the appraisal of income-producing properties. It offers an explanation of the basic assumptions of the income approach and takes the appraiser through the various steps of the capitalization process for both real and personal property

Students are shown recommended methods of collecting and recording information that is to be analyzed and processed in the income approach. They learn how to estimate the gross income of a property and to process that estimate into an estimate of net income. Then, they learn the various techniques for extracting rates and income multipliers, and how to capitalize income estimates into indicators of value. The students are called upon to demonstrate these techniques as they solve drill problems.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*; Assessors' Handbook Section 502, *Advanced Appraisal*; and Property Tax Rule 8.

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

COURSE 7 ----- Appraisal of Agricultural Property

Course 7 is designed to provide real property appraisers and auditor-appraisers with an overview of the methods and techniques of appraising agricultural properties. The course is intended for students with limited experience in appraising these types of properties.

The course presents an introduction into the nature of agricultural properties and the characteristics of value that distinguish these properties from other property types, and reviews the appraisal process in the context of agricultural property. The course offers a review of the appraisal processes for valuing agricultural property. Specific types of agricultural property covered include row crop and field cropland, dry farm and grazing land, and permanent plantings. Students solve drill problems specific to the needs of the agricultural appraiser.

Prerequisites: Course 5, *Income Approach to Value*; or an equivalent course.

Pre-reading: Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, Part 1.

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

COURSE 8 ----- Appraisal of Machinery and Equipment

Course 8 introduces the beginning auditor-appraiser and, upon special request, real property appraisers to the fundamental concepts used in the appraisal of machinery and equipment. This course begins with a short review of value concepts and the pertinent provisions of the California Revenue and Taxation Code and Property Tax Rules. This course focuses on the classification of equipment as either improvements or personal property. Students are taught to recognize and estimate depreciation and to prepare and compare market value estimates with base year values. The course describes methods of collecting and processing data.

Prerequisites: None

Pre-reading: None

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

COURSE 9 ----- Appraisal of Taxable Possessory Interests

Course 9 addresses the appraisal of private interests in publicly owned real property. The course is designed primarily for experienced real property appraisers and auditor-appraisers whose responsibilities include the appraisals of taxable possessory interests.

The course explains the nature of such interests, the legal basis for their assessment, and the effect of judicial decisions on possessory interest assessment. The various types of taxable possessory interests are described, and the prescribed valuation methods for taxable possessory interests are explained. Students apply these methods in the solution of drill problems.

Prerequisites: Course 5, *Income Approach to Value*; or an equivalent course.

Pre-reading: Assessors' Handbook 510, *Assessment of Taxable Possessory Interests* (chapters 1 – 4).

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

COURSE 9A ----- Special Topics in Taxable Possessory Interests

Course 9A covers several special areas in the assessment of taxable possessory interests. Topics include the following:

- Airport taxable possessory interests
- Cable television
- Taxable possessory interests in Section 11 properties (including property owned by public retirement systems)
- Employee housing (including college or university housing)
- Taxable possessory interests involving Indian lands

Prerequisite: Course 9, *Appraisal of Taxable Possessory Interests*.

Pre-reading: Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests*, chapter 5; review chapters 1 – 4.

Course Credit: 21 hours of instruction 3-hour examination **24 hours total**

COURSE 18 ----- Auditing Procedures

Course 18 offers auditor-appraisers and, upon special request, real property appraisers, an opportunity to learn step-by-step auditing procedures and techniques for performing property tax audits. Students will learn how to set up standardized working papers and how to submit a standardized audit report with the appraisal. Selection of audits and the need for good public relations are among the topics discussed.

Prerequisites: Course 8, *Appraisal of Machinery and Equipment*, or an equivalent course

Pre-reading: None

Course Credit: 28 hours of instruction 2-hour examination **30 hours total**

COURSE 28 ----- Advanced Auditing

Course 28 is an advanced auditing class that includes more in-depth studies in equipment and supplies auditing. This course covers auditing procedures, write-ups, and valuation concepts. This course also includes special topics such as commercial aircraft auditing, trade level, supplies, and others. This course includes student presentations in lieu of an examination (see Preparation required for this course, below).

Prerequisites: Course 8, *Appraisal of Machinery and Equipment*; and Course 18, *Auditing Procedures*.

Preparation: Each student attending this course is to select two problem audits that they have performed over the course of their career and prepare a one to two page summary for each of the two audits. The summary should state the type of problems they encountered during the audit, how they resolved those problems, and if the audit was appealed, the outcome of the appeal. The costs and values involved should also be included. Students should be prepared to present their audit summaries during the class (15-30 minutes) and should put their name and county on them, as they will be collected at the end of the course. Students that have not performed audits can contact the instructor to arrange for substitute presentation subjects.

Course Credit: 24 hours, including student presentations **24 hours total**

COURSE 52 ----- Valuation of Restricted (Open-Space) Lands

Course 52 addresses the assessment of open-space properties, that is, those types of properties that may be enforceably restricted under section 8 of article XIII of the California Constitution. The course focuses on land that is enforceably restricted under the California Land Conservation Act (Williamson Act), which is by far the most significant open-space program. The course is designed for real property appraisers and auditor-appraisers that have limited experience in the valuation of these types of properties.

Students are introduced to the various types of open-space programs, the legal aspects of these programs, and the prescribed valuation methods for open-space properties. Students work drill problems covering the valuation and assessment of open space properties.

Prerequisites: Course 5, *Income Approach to Value*; and Course 7, *Appraisal of Agricultural Property*; or equivalent courses.

Pre-reading: Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, Part II (chapters 1 – 10 & 12).

Course Credit: 21 hours of instruction 3-hour examination **24 hours total**

COURSE 56 ----- Advanced Sales Comparison and Income Capitalization Approaches

Course 56 is designed for real property appraisers and auditor-appraisers actively involved in the appraisal of income-producing properties. The course is developed around case studies and other drill problems. In order to solve case study problems, participants must draw from their experience and consider a number of factors that can influence the sale price of such properties. In addition, students will discuss special topics such as the appraisal of low-income housing. Other subjects include selection of capitalization methods, techniques, and rates that are appropriate for valuing different types of properties.

Course 56 is **not** a review of the income approach to value; it is a course in the appraisal of properties that are purchased for the income they produce. The comparative sales approach and different income approach techniques will be presented. **It should not be taken as a review course**; an appraiser who wants a review of the income approach to value should take Workshop 5A, *Income Approach to Value Refresher*.

Prerequisites: Course 5, *Income Approach to Value*, or an equivalent course, and at least three years of experience in the appraisal of income-producing properties.

Pre-reading: Assessors' Handbook Section 502, *Advanced Appraisal*.

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

COURSE 120 ----- Investment Mathematics and Financial Calculators

Course 120 covers various mathematical procedures and models used in valuation, including the use of financial calculators. Topics include the following:

- Compound interest functions,
- Basic features and applications of HP 12c financial calculator,
- Cash flow diagrams,
- Discounted cash flow analysis,
- Net Present Value,
- Internal rate of return,
- Internal rate of return, and
- Applications involving cash equivalency and the income approach,

Prerequisites: Course 5, *Income Approach to Value*, or an equivalent course, and knowledge of basic algebraic operations.

Pre-reading: Assessors' Handbook Section 505, *Capitalization Formulas and Tables* (chapters 1 – 4).

Requirement: A financial calculator is required; the HP 12c is preferred.

Course Credit: 28 hours of instruction 3-hour examination **31 hours total**

Workshop Descriptions

5A ----- Income Approach to Value Refresher

This 12-hour workshop is a refresher for appraisers who have completed Course 5, *Income Approach to Value*. The workshop uses case study drill problems to emphasize the method and techniques presented in Course 5.

Prerequisite: Course 5, *Income Approach to Value*.

AAB ----- Training for New Assessment Appeals Board Members

This workshop is intended for new assessment appeals board members. It satisfies the training requirements for new board members specified in Revenue and Taxation Code sections 1624.01 and 1624.02.

[As an alternative to this workshop, the Property and Special Taxes Department has developed a self-study training session designed to provide information about the local equalization process. Completion of the training session will qualify as the mandatory training required by Revenue and Taxation Code section 1624.01 for members of county assessment appeals boards. More information about this training can be found on-line, at www.boe.ca.gov/proptaxes/pttraining.htm.]

Prerequisite: Be a member of an assessment appeals board.

CIO ----- Change in Ownership

This 12-hour workshop is an overview of the basic concepts and importance of change in ownership under Proposition 13. It discusses the definition of change in ownership, the discovery of change in ownership events, and the impact change in ownership has on reassessment. The course addresses how tenancy in common, joint tenancy, trusts, leases, possessory interests, and legal entities apply to change in ownership. The course also discusses exclusions from change in ownership—interspousal and registered domestic partner, parent/child and grandparent/grandchild, partitions—and base year value transfers—over 55/disabled, eminent domain, disaster relief, and contaminated property.

Prerequisite: None

MH ----- Appraisal of Manufactured Homes

This 12-hour workshop is designed to aid the real property appraiser in the valuation of manufactured housing for tax purposes. Through the use of case studies all valuation approaches are discussed.

Prerequisite: None

MP ----- Appraisal of Mineral Properties

This 12-hour workshop will discuss the appraisal of mining (including mines and quarries) and petroleum properties. The valuation and assessment of mining, oil, and gas properties for property tax purposes, especially under the mandates of Article XIII a of the California Constitution (Proposition 13), represents a complex and sometimes controversial challenge. The goal of this workshop is to give the appraiser a basic understanding of the components and complexities of mining and petroleum property appraisals. Topics include the following:

- geology,
- mine engineering,
- hard mineral production,
- reserve estimates,
- petroleum engineering, and
- petroleum production.

Approximately 50 percent of the workshop will be spent on drill problems, giving the student an opportunity to work and discuss examples employing the income approach in establishing a value for hard mineral properties.

Prerequisite: None